

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2004-65-E - ORDER NO. 2004-189  
SEPTEMBER 8, 2004

IN RE: Petition of South Carolina Electric & Gas	)	ORDER APPROVING
Company for Approval of the Transfer of	)	PROPERTY TRANSFER
Property	)	

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or the “Company”), for approval of the transfer of certain real estate (hereafter referred to as the “Property”) located in Charleston County, South Carolina. SCE&G’s Petition is made pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 2003).

On March 8, 2004, SCE&G filed a Petition requesting the Commission’s approval for the transfer of one parcel of real estate located in Charleston County, South Carolina. The Property at issue, according to SCE&G, consists of 2.941 acres located at the intersection of S.C. Highway 61 connector and Ripley Point Drive in Charleston County and is classified as utility property. For a more detailed description of the Property, SCE&G includes maps of the parcel in Exhibit A to the Company’s Petition.

Following public notice of the availability of the property for public sale<sup>1</sup>, the Company entered into a Purchase and Sale Agreement (the “Agreement”) with Applegate & Co., dated December 22, 2003, wherein Applegate & Co. would purchase the Property

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<sup>1</sup> Pursuant to Commission Order No. 92-931, dated November 13, 1992, SCE&G provided a 30-day public notice of the availability of the property for public sale in The Post and Courier newspaper.

for a price of \$1,225,000. The Purchase and Sale Agreement is attached to SCE&G's Petition as Exhibit B, which also includes two amendments to the original Agreement. The first amendment reflects that the Agreement was amended by modifications to certain dates appearing in the original Agreement. The second amendment reflects a modification to a date made in the first amendment, but also reveals Albemarle II, LLC, as the purchaser of the Property. According to SCE&G, Applegate & Co. assigned its rights under the Agreement to Albemarle II, LLC.

In support of the acceptance of the purchase price of \$1,225,000, SCE&G provided as Exhibit D the Bid Certification, dated December 15, 2003, verifying that, of the six (6) bids received for the Property, the highest bid was placed by Applegate & Co. in the amount of \$1,225,000. In Exhibit A, SCE&G asserts that the sale price represents the market value of the Property as indicated by an appraisal by Palmer Owings, MAI, SRA, of Appraisal Consultants, Inc. In support of the fair market value of the Property, SCE&G, on March 25, 2004, supplemented its original Petition with the appraisal of the Property completed by A. Palmer Owings, MAI, SRI, a South Carolina certified general real estate appraiser with Appraisal Consultants, Inc. According to Mr. Owings' appraisal, the fair market value of the subject Property is \$885,000, as of April 19, 2002.

The documentation filed by SCE&G reveals that SCE&G complied with the regulatory requirement to provide a thirty (30) day public notice of the availability of the property for public sale as set out in Commission Order No. 92-931. The Property was listed for sale by publication in The Post and Courier, Charleston, South Carolina. A copy of the newspaper listing is provided by SCE&G as Exhibit C to the Company's Petition.

In SCE&G's supplemental filing, SCE&G states that the publication of the Property ran for thirty days beginning on November 14, 2003, and attaches additional documentation to reflect the dates of publication.

As Exhibit E to the Petition, SCE&G attaches the accounting treatment (book value calculation as of September 30, 2003) of the pending Property transfer which reflects that the original cost of the Property being sold was \$63,052.33. In the Petition, SCE&G asserted the original cost of the Property was \$53,811.90. SCE&G provided further explanation of the original cost of the Property in the supplemental filing of March 24, 2004. SCE&G states in its supplemental filing that SCE&G originally purchased 3.48 acres at the Property site for \$63,052.33 and that 0.539 acres was conveyed previously to the South Carolina Highway Department for road expansion. According to SCE&G, the pro rata calculation for the .539 acres is \$9,765.86; therefore, the original cost of the 2.941 acres is \$53,286.47. SCE&G states that the proposed sale of the Property is a "like-kind" exchange, and therefore no capital gains tax will be incurred. The proceeds of the sale will be used to purchase "like-kind" property for the Company, and the transaction will be booked accordingly.

Lastly, SCE&G advises the Commission in its supplemental filing that a typographical error appeared in the original Petition. In paragraph 8 of the Petition, it was stated that bids on the Property "ranged from \$200,000 to \$1,500,000", but, according to SCE&G, the high bid on the Property was in fact \$1,225,000 and that there was no bid for \$1,500,000.

Upon examination of the proposed transaction, the Commission makes the following findings:

1. S.C. Code Ann. Section 58-27-1300 (Supp. 2003) entitled “Disposition of properties, powers, franchises or privileges ...” governs the proposed transaction. Section 58-27-1300 requires an electrical utility to obtain approval from the Commission prior to selling utility property, except that utility property with a fair market value of one million dollars or less may be disposed of without prior approval of the Commission.

2. S.C. Code Ann Section 58-27-1300 (Supp. 2003) does not require a hearing on a Petition filed pursuant to Section 58-27-1300 but makes a hearing discretionary. The Commission finds that no hearing is necessary in this matter.

3. The Commission finds that the Property will be sold to Albemarle II, LLC, assignee of contract rights from Applegate & Co., for \$1,225,000. The purchase price of the Property is higher than the fair market value appraisal of the Property. The appraisal and exhibits thereto indicate that the fair market value of the Property is \$825,000, and the purchase price of the Property is \$1,225,000.

4. The Commission finds that the sale of the Property to Albermarle II, LLC is a bona fide sale. The Property was publicly noticed for sale, and the Property was sold for the best offer received.

5. The Commission finds that the sale of the Property is a “like-kind” exchange. The proceeds will be used to purchase “like-kind” property to be used for utility purposes and booked accordingly.

Based upon the above findings of fact, the Commission concludes that SCE&G has complied with the requirements of S.C. Code Ann. Section 58-27-1300 (Supp. 2003) and that the requested transfer of the Property should be approved. Accordingly, the Commission approves the requested transfer.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/  
Randy Mitchell, Chairman

ATTEST:

/s/  
G. O'Neal Hamilton, Vice Chairman

(SEAL)